

**Before the State of California
Energy Resources Conservation and
Development Commission**

Exploring Revisions to Current)	Docket No. 99-DIST-GEN-(2)
Interconnect Rules Between)	
Investor Owned and Publicly)	Energy Commission Distributed
Owned Utility Distribution)	Generation Strategic Plan
Companies and Distributed Generators)	
)	
Evaluating CEQA Procedures for Siting)	May 22, 2002
Distributed Generation Facilities)	

**Comments of the Center for Energy Efficiency and Renewable Technologies and the
Natural Resources Defense Council on the Draft Strategic Plan
for Distributed Generation**

The Natural Resources Defense Council (NRDC) and the Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submit comments on the CEC's Draft Distributed Generation Strategic Plan (Plan). NRDC and CEERT appreciate the Commission's efforts in the area of distributed generation (DG) and are pleased to be part of the process in developing this Plan.

We would like to commend the CEC for emphasizing the importance of clean DG in the vision, mission and principles of the Plan. Specifically, the mission statement declares that the energy commission will "develop programs and policies that will effectively promote and deploy distributed generation technologies to the extent that it benefits energy consumers, the electricity grid and the environment in California". Furthermore, the first principle on which the report and its policy recommendations are based reads, "deploy DG only in a way that preserves and enhances the environment in which people live".

We wholeheartedly support the CEC's choice to make environmental quality a key factor in its strategy. This is consistent with legislative intent established in Senate Bill 1298 (Bowen& Peace) which states "(e) It is the public interest to encourage the deployment of distributed generation technology in a way that has a positive impact on air quality." However, we caution the CEC not to lose sight of this commitment in the specifics of the Plan. There are several sections in which the CEC appears to question whether DG can (or should) be held to strict emission standards and whether the CEC should provide preference to clean DG. Most of our comments below focus on these areas. We would also like to encourage the CEC to place a great deal more emphasis on its excellent suggestion of spearheading an inter-agency DG coordination group.

CEC Research Priorities:

Because it has the authority and responsibility for investment in public interest energy research programs, research and development is an area where the CEC could have a real impact on clean DG development. However, instead of focusing its valuable research dollars on questions that have already been answered, the CEC should focus its efforts on helping DG to meet California's stringent emissions standards.

In the "Deployment Issues and Opportunities" section, under the environmental issues heading, the CEC questions whether DG can achieve the standards set by the California Air Resources Board (CARB). The Plan indicates that by 2003, DG emissions must meet or exceed the emissions profile of a state-of-the-art central station power plant. This phrasing is misleading because DG facilities are not required to reach this target until 2007. The Plan also asserts that CARB emission standards will exclude certain technologies. A recently completed analysis by Energy Nexus Group has shown that this is not necessarily true. Nearly all technologies have the potential to meet the 2003 and 2007 standards when installed in combined heat and power applications.

Later in the report, in the description of Mid-term Goal #2, (page 30), the CEC questions whether DG can meet CARB emission requirements and indicates that the CEC could conduct research on the appropriateness of the CARB standards. CARB staff thoroughly studied these standards when creating them and will address them again in the scheduled 2005 technical review. The CEC should devote its research dollars to helping DG technologies achieve emissions performance levels as good or better than that required those standards.

Incentives for Zero Emission and Near-Zero Emission Technologies:

In the "Deployment Issues and Opportunities" section, under the environmental issues heading, the CEC asks whether preferences should be given to clean DG technologies and if incentives for renewables should be further enhanced. In addition, mid-term Goal 6 states that the CEC will "Provide incentives that encourage the deployment of distributed generation, with additional incentives afforded to 'environmentally preferred' technologies". However, the text below this heading only questions whether there are too many subsidies for DG and does not describe any ideas for incentives.

The DG emission limits established by CARB, requires all DG in California to meet stringent emission standards. While we agree that very real barriers exist to DG deployment that must be addressed (e.g. reasonable standby and interconnection fees), we question the need for additional financial incentives for technologies that simply comply with the minimum standards that require them to be relatively clean. The more relevant question that should be asked is whether additional financial incentives should be provided to zero or near-zero emission technologies. CEERT and NRDC believe that the answer to this question is a resounding yes.

Our position is supported by the Legislature. The preamble of SB 1298, chaptered in September 2000, declares that, "It is in the public interest to encourage the deployment of distributed generation technology in a way that has a positive effect on air quality". State

policy clearly supports incentives for renewable and zero emission technology. The net-metering program and the CEC's emerging renewables program are two such examples of existing incentives for zero or near-zero emission technologies.

CEERT and NRDC strongly encourage the CEC to provide incentives to zero and near-zero emission distributed generation—such targeted incentives are a proven means of supporting clean technologies, particularly during the period of market development. CEERT and NRDC would be happy to work with the CEC to enhance and increase the effectiveness of these incentives.

Expanding the Net-metering Program:

Under Mid-term Goal #2 subheading 3, the Plan says it will expand net-metering to other types of DG. However, the text beneath this heading says nothing about net-metering and discusses grid reliability and interconnection issues. Therefore, the CEC should clarify whether this section was really meant to discuss net-metering or other related barriers such as reliability benefits valuation and interconnection issues. We suspect the latter.

However, if the CEC is suggesting that net-metering be expanded beyond zero emission and near-zero emission technologies, CEERT and NRDC must strongly object. Net-metering is a public purpose incentive for zero and near-zero emission technologies (e.g. PV and wind) exclusively.

Inter-Agency Coordination Group:

Besides focusing on public interest RD&D, the inter-agency coordination group is the CEC's most valuable opportunity to make a significant contribution to DG development in California. The NRDC appreciates that the CEC listened to its comments on the draft outline and put a greater focus on inter-agency communications and coordination in the plan. However, NRDC and CEERT believe that this element should be made a primary focus of the Plan.

The CEC recognizes in the Plan that regulatory uncertainty is one of the greatest barriers to greater deployment of DG. With this inter-agency group, the CEC can help identify regulatory inconsistencies and improve consistency and coordination of agencies' policies. We suggest that the California ISO be included in this group. The ISO has its own DG programs and as operator of the transmission system is a major stakeholder in any process that involves DG.

Conclusion:

CEERT and NRDC are pleased that the CEC has chosen to emphasize the importance of clean DG in its vision, mission and guiding principles. However, we are concerned that the commitment to clean DG is not carried throughout the report. CARB has created emission requirements for DG that will ensure that all future DG is clean. Striving for a higher standard, namely zero and near-zero emissions, is an area where the CEC's research and development expertise and resources would be very valuable.

CEERT and NRDC strongly support providing extra incentives for zero and near zero-emission technologies. Providing incentives for these technologies is consistent with legislative intent and current energy policy in California. Net-metering is an important program that we support, however we are strongly opposed to expanding the program to other technologies that do not deliver zero or near-zero emissions performance. Finally, we believe that the CEC should make formation of the inter-agency coordination group a priority. Spearheading such a working group is an area where the CEC could have real short- and long-term impact.

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